

NOTICE OF AN AUDIT AND RISK COMMITTEE MEETING

Opōtiki District Council Chambers, 108 St John Street, Opōtiki
Monday, 9 September 2019
Commencing at 10.00am

ORDER PAPER

APOLOGIES

DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS

PUBLIC FORUM

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PUBLIC EXCLUDED BUSINESS

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Members: **Cr Arihia Tuoro (Chairperson)**

Cr Ken Young

Ex-Officio: **Mayor John Forbes**

Independent Member: **David Love**

Committee Secretary: **Gae Newell**

Quorum: **2**

LOCAL AUTHORITIES (MEMBERS' INTERESTS) ACT 1968

Councillors are reminded that if you have a pecuniary or non-pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the Council chamber.

Aileen Lawrie

CHIEF EXECUTIVE OFFICER

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. The Audit and Risk Committee is a Committee of the Ōpōtiki District Council.
2. **Objective**

The objective of the Committee is to assist the Council in carrying out its duties in regard to financial reporting and legal compliance.
3. **Membership**

Chairperson: Councillor Tuoro
Members: Councillor Tuoro, Councillor Young
Ex-Officio: Mayor Forbes
Independent Member: David Love
4. **Meetings**
 - 4.1 A quorum is two members.
 - 4.2 The Committee shall meet as needed but in any event, at least annually.
 - 4.3 Notice of meetings shall be in accordance with the requirements set out in the Local Government Act 2002.
5. **Terms of Reference**

The Audit and Risk Committee will:

 1. *Review Council's annual financial statements with Council management and the Auditors prior to their approval by Council.*
 2. *Oversee statutory compliance in terms of financial disclosure.*
 3. *Monitor corporate risk assessment and internal risk mitigation measures and oversee:*
 - *Council's risk management framework*
 - *internal control environment*
 - *legislative and regulatory compliance*
 - *internal audit and assurance*
 - *oversee risk identification on significant projects*
 - *compliance to Treasury Risk Management Policies.*
 4. *Review the effectiveness of Council's external accountability reporting (including non-financial performance).*
 5. *Conduct the process for the Chief Executive's Performance, for report to Council.*

6. *Draw to the attention of Council any matters that are appropriate.*
7. *Investigate and report on any matters referred to the Committee by Council. The circumstances the Council may refer matters to the Audit and Risk Committees include:*
 - a. *Any significant issues arising from the financial management of councils affairs.*
 - b. *Any complaints against elected members or alleged breaches of the Councils code of conduct.*
 - c. *Any significant issues arising from Audit New Zealand processes.*
 - d. *Due Diligence on strategic asset acquisition or disposal.*
 - e. *Setting up of Council Controlled Organisations.*
 - f. *Development of a Council risk assessment and mitigation strategies.*

6. **Authority**

- 6.1 The Committee is authorised to investigate any activity referred to it by Council resolution. It is authorised to seek any reasonable information it requires from Council staff.
- 6.2 The Committee is authorised by the Council to obtain outside legal or other independent professional advice and to arrange for the attendance at meetings of outside parties with relevant experience and expertise if it considers this necessary.

MINUTES OF AN OPOTIKI DISTRICT COUNCIL AUDIT AND RISK COMMITTEE MEETING HELD ON MONDAY, 13 MAY 2019 IN THE OPOTIKI DISTRICT COUNCIL CHAMBERS, 108 ST JOHN STREET, OPOTIKI AT 10.00 AM

PRESENT:

Councillor Arihia Tuoro (Chairperson)
Councillor Ken Young
David Love
Mayor John Forbes
Deputy Mayor Lyn Riesterer

IN ATTENDANCE:

Aileen Lawrie (Chief Executive Officer)
Ari Erickson (Engineering and Services Group Manager)
Michael Homan (Finance, Systems and Property Group Manager)
Billy Kingi (Chief Financial Officer)
Tina Gedson (Property Officer)
Astrid Hutchinson (Harbour Project Programme Planner)

APOLOGIES

Nil.

DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS

David Love noted that he is a Bay of Plenty Regional councillor and is also a member of the Regional Council's Audit and Risk Committee.

The Chairperson and Councillor Young declared an interest in any item in relation to the Opotiki Harbour Development Project.

ADDITIONAL AGENDA ITEM IN CONFIDENTIAL

A revised Resolution to Exclude the Public was tabled to include an extra item in confidential. The extra item was added due to urgency, having only come to staff's attention on Friday, 10 May, and also due

to constraints in terms of timing of the next Council meeting, for which a recommendation from the Audit and Risk Committee is sought.

RESOLVED

- (1) That the addition of an extra item called invitation to shareholder to the in-committee meeting agenda be accepted.**

Tuoro/Forbes

Carried

PUBLIC FORUM

Nil.

1. CONFIRMATION OF MINUTES – AUDIT AND RISK COMMITTEE MEETING 18 FEBRUARY 2019 **p5**

A correction was noted to item 3. financial report to 31 December 2018: "In response to a query from His Worship the Mayor, the Chief Financial Officer (CFO) stated adjustments could be made around timing of our valuations" (not to the valuations themselves).

RESOLVED

- (1) That the minutes of the Audit and Risk Committee meeting held on 18 February 2019 be confirmed as a true and correct record.**

Love/Young

Carried

2. ACTION SCHEDULE **p10**

David Love commented that the first time he looked at the Action Schedule at his first Audit and Risk Committee meeting, he was appalled at how many actions had not been done. He said this Action Schedule is the best he has seen, which indicates that something is being done and staff are getting their act together. He said this is recognised.

A number of items on the Action Schedule were discussed.

RESOLVED

- (1) That the Action Schedule be received.**

Tuoro/Young

Carried

The Engineering and Services Group Manager joined the meeting at 10.07am.

3. FINANCIAL REPORT TO 31 MARCH 2019

p12

In response to a question from David Love, the CFO said this is the second year that council has phased the budgets to seasonalise them.

The CEO said she expected that Building Control will be significantly overspent by the end of the financial year. She noted that IANZ has just completed its audit of Council. The cost of the audit was \$3,000, which was unanticipated.

In response to a question from Councillor Young, the CEO said the funding agreement for \$750,000 of Provincial Growth Fund funding was received on Friday.

In response to a question from David Love, the CEO said John Galbraith is preparing a report on the Ōpōtiki harbour project for the June Council meeting.

The CFO said that ODC has rolled over one of its debt loans and opened up a \$400,000 overdraft facility for use if needed. This provides comfort in terms of cash flow management as the council's deposits do not necessarily mature at the same time payments are due.

In response to a question from Councillor Tuoro, the CFO said BOPLASS is considering reviewing and/or tendering bank services to BOPLASS councils later this calendar year.

David Love said the total of \$5.5 million for projects to be deferred seems quite a lot in terms of the expenditure of council. His Worship the Mayor noted this reflected the balance between the ambition of the elected members and ability of organisation, which was never in full alignment.

The Engineering and Services Group Manager said his group is working on a lot of projects but it is difficult without an Asset Manager.

The CFO noted that a number of projects are dependent on external cofounding. If it is not received, the project cannot go ahead. The CEO said that the end result is that project defers and sits on council's books. Councillor Tuoro said that Councillors are never comfortable with projects being deferred but accept the reasons and rationalisations for it.

David Love said his overall perception is that the Council is in better position now than it has been in past.

RESOLVED

- (1) That the report titled "Financial Report to 31 March 2019" be received.**

Young/Forbes

Carried

4. KOHA REPORT

p27

Councillor Tuoro noted the Audit and Risk Committee's request that attendee numbers be added to the koha report dated 2 May 2019 and that future koha reports should include attendee numbers. Council staff should check attendee numbers with relevant councillors.

In response to a question from David Love, His Worship the Mayor said that Bill Maxwell was a well-known kaumatua from one of the local iwi.

RESOLVED

- (1) That the report titled "Koha Report" be received.**
(2) That the Koha Report be amended to note that there were about 400 attendees at the dawn parade in Waiaua, more than 300 attendees at Bill Maxwell's birthday celebrations, and more than 800 attendees at Don Riesterer's tangi.

Forbes/Young

Carried

5. RESOLUTION TO EXCLUDE THE PUBLIC

p29

A replacement Resolution to Exclude the Public was tabled.

THAT the public be excluded from the following parts of the proceedings of this meeting, namely:

- 6. Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 18 February 2019.**
7. Security.
8. Statute Barred Rates Write-Offs.
9. Property update
10. Access Issues.

Extra item – Invitation to Shareholders

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
6.	Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 18 February 2019	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
7.	Security	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
8.	Statute Barred Rates Write-Offs	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
9.	Property Update	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
10.	Access Issues	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
Extra Item	Invitation to Shareholders	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

6.	Maintain effective conduct of public affairs Protect information Protect the privacy of natural persons Protection from improper pressure or harassment Carry out negotiations Prevent the disclosure of official information Carry out commercial activities	Section 7(2)(f)(i) & (ii) Section 7(2)(b)(i) & (ii), (d) & (e) Section 7(2)(a) Section 7(2)(f)(ii) Section 7(2)(i) Section 7(2)(j) Section 7(2)(h)
7.	Protect information Protection from improper pressure or harassment	Section 7(2)(b)(i) Section 7(2)(f)(ii)
8.	Protect the privacy of natural persons	Section 7(2)(a)
9.	Protect the privacy of natural persons Carry out commercial activities Carry out negotiations	Section 7(2)(a) Section 7(2)(h) Section 7(2)(i)
10.	Protect the privacy of natural persons Maintain legal professional privilege Commercial sensitivity	Section 7(2)(a) Section 7(2)(g) Section 7(2)(b)(ii)
Extra Item	Protect the privacy of natural persons Commercial sensitivity	Section 7(2)(a) Section 7(2)(b)(ii)

Forbes/Young

Carried

RESOLVED

- (1) That the resolutions made while the public was excluded, except for the resolutions relating to Item 7 Security and Extra Item – Invitation to Shareholders, be confirmed in open meeting.**
- (2) That the public be readmitted to the meeting.**

Young/Love

Carried

RESOLVED

- (1) That the in-committee minutes of the Audit and Risk Committee meeting held on 18 February 2019 be confirmed as a true and correct record.**

Young/Tuoro

Carried

RESOLVED

- (1) That the report titled “Statute Bared Rates Write-Offs” be received.**
- (2) That pursuant to Section 65 of the Local Government Act 2002, Council remit Statute Barred rates for the 2018-2019 year totalling \$430,299.44 GST inclusive as set out in the schedule.**

Love/Forbes

Carried

RESOLVED

(1) That the report titled "Property Update" be received.

Forbes/Love

Carried

RESOLVED

(1) That the verbal report titled "Access Issues" be received.

Forbes/Young

Carried

THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 12.58PM.

**THE FOREGOING MINUTES ARE CERTIFIED AS BEING A
TRUE AND CORRECT RECORD AT A SUBSEQUENT
IN-COMMITTEE MEETING OF THE AUDIT AND RISK
COMMITTEE ON 9 SEPTEMBER 2019.**

**COUNCILLOR ARIHIA TUORO
CHAIRPERSON**

Issue	Recommendation	Done	Assigned To	Status	Comments
21	Contract Management Policy and Guidance		Ari Erickson	In Progress	Contract management processes are currently being built, upon completion a Policy will be assembled. Processes are at this stage included in at the wider activity management level so that they can properly consider information systems, resources and responsibilities and a strategic approach to procurement. Asset management and procurement strategies are being drafted in parallel.
22	Contract management oversight		Ari Erickson	In Progress	Changes to engineering department structure is now complete. An Activity/Asset Management Policy/Strategy is in draft, the activity management system (series of process charts) are about 70% complete. These include the various sub-processes in line with each corresponding policy/strategy. i.e. Contract, operational, asset, project, IT systems and procurement management. Sub-processes are being assigned to staff 'champions' based on expertise. These champions will lead several management groups which will ensure probity. Two key positions, contract management and asset management, are still yet to be filled though interim measures are in place. Unfortunately one of the key financial positions has recently been vacated.
24	Project Management		Ari Erickson	In Progress	Included in line with above.
32	Asset Management		Ari Erickson	In Progress	There has been a lot of work done as a project to ensure this process is implemented, as well as aiding the organisation to complete their compliance requirements in the most efficient manner. This process is very near to completion.
33	Asset Management		Ari Erickson	In Progress	This is under development as part of the asset management policy.
41	RRC's		Ari Erickson	In Progress	Refer agenda report May 2019. A full review has been completed an options recommended. Update: After additional occurrences at the RRC another report has been brought to A&R (9 Sept) and recommendations presented.
45	ANZ		Bevan Gray	In Progress	Received feedback from BOPLASS that a review will be undertaken later this year as one of the Councils , TCC had rolled their contract with ANZ over to September this year without notifying BOPLASS. We still have the option to proceed alone if that is what council would like to do.
51	IANZ audit update		Gerard McCormack	In Progress	Verbal update provided 15/10/18 Report to be provided to A&R. Second audit underway week of 29 April.
54	Annual Report		Bevan Gray	In Progress	To has been updated for Annual Report 2019
56	Risk Register Reporting		Sarah Jones	In Progress	Workshop - 13 May 2019 meeting.
57	Annual Report Process		Billy Kingi	In Progress	Processes were implemented previously in an effort to aid in the project management of the process (eg Smartsheet). Further refinements and enhancements are being made as identified.
58	Asset disposals		Billy Kingi	Complete	Asset disposals are approved by respective Group Manager in accordance with their financial delegation. Approvals are now documented in fixed asset accounting supporting workpapers.
61	Contract Management		Ari Erickson		Refer item 21. Reviews to date indicate Council's project manager is following all appropriate standards and legislative guidance.
62	Datapay		murielc@odc.govt.nz	Complete	Decision made to remain with Datacom payroll for the short term to manage workloads. Problems have been fewer and datacom more responsive.
63	Investment Property		Michael Homan		Investment property is valued annually by registered valuers at Aon New Zealand.
64	Contact Centre Module		Ari Erickson	In Progress	This process has been reviewed and will require a fundamental change to maintenance contracts and data collection methods. This has been an Asset Management goal for a number of years but requires various pre-requisite steps be undertaken first. The issue arises where requests for service cannot or practically should not be resolved immediately. An example of this would be footpath repairs which are scheduled within the footpath repair contract which is carried out over the course of several months. The result is effectively a back log of unresolved service requests which would all require manual review and resolution as much as a year later. The interim solution has been for assessing engineers to log requests as resolved when they have confirmed that work has been programmed for completion. Exceptions to this are those requests that relate to critical services monitored by Council KPI's. All of these requests are recorded as resolved upon completion. This action will take some time to implement but is being worked toward and will be included in the IT systems and operation processes within the asset management policy. Update: With the completion of the E&S department structure review, technical positions have been given this responsibility, we need only fill these roles.
67	Related parties		Billy Kingi	In Progress	Ongoing
72	RRC's		Billy Kingi	In Progress	A process is now in place whereby variances between daily banking and till-tape reports are investigated and highlighted to management. Also related to RRC issue on line 41.
74	Capitalisation policy		Ari Erickson	In Progress	An asset capitalisation policy is currently in draft alongside all of the above documents.
76	Fixed asset reconciliations		Ari Erickson	In Progress	Reconciliation processes are being refined with every reconciliation carried out. At this stage reconciliations have been reduced from year end to every 6 months. The intention is to bring this down to quarterly and even monthly. This was almost achieved this year and with the new Asset Engineer having started in the engineering team this is expected to be achieved moving forward. Two reconciliation processes need to be built to enable this, an interim based on expenditure only and a final based on asset population. Again this will be included in the activity management policy. Update: We unfortunately lost our newly recruited Asset Engineer and have once again been set back to the starting blocks.
78	Financial Strategy in LTP		Bevan Gray	Not Started	Will consider with the next LTP.
80	Demand forecasting		Bevan Gray	Not Started	Unsure exactly what Audit are suggesting as these are reviewed implicitly with each Annual Plan and formally with each LTP.
81	Annual Plan		Bevan Gray	In Progress	We have put additional effort into project managing the Annual Plan process this year. With specific focus on legislative compliance.

	Issue	Recommendation	Done	Assigned To	Status	Comments
82	Interests	Updates the interest register for elected members and staff to record the nature of the interest, type of conflict and the mitigating actions to manage that conflict.		Billy Kingi	In Progress	Updating current Register to incorporate mitigating actions to manage the conflict.
83	Suspense accounts	Prepares and evidences the review of suspense account reconciliations, in particular following up outstanding items that exist for a period greater than one month.		Billy Kingi	Complete	These are reconciled monthly. Effort has been made to identify any historical transactions (remaining now less than \$500). Any unidentified receipts are now refunded back to payer's bank account.
84	Tolerance limits	Audit continues to recommend that the District Council reconsiders the 10% tolerance between the purchase order and receipt. Council is comfortable with these tolerance limits and prepared to accept the risk.		Bevan Gray	Complete	
85	valuation of property	Implement appropriate procedures to ensure the fair value of investment property reflects market conditions as at 30 June.		Michael Homan	In Progress	Related to Investment Property issue above.
86	Asset reclassifications	Appropriate processes and procedures are implemented to generate reports for assets that have been reclassified.		Bevan Gray	In Progress	Appropriate processes have been put in place to ensure any asset reclassifications are sufficiently documented.
87		Supporting documentation is retained to confirm that disposed assets have been appropriately approved.				Duplication to line 58 above.
88	Holding accounts/historical payables balance	The District Council seeks to reduce the balances of the liabilities by contacting the parties concerned to arrange a refund of the monies. If this is not possible, we recommended the Council clears these balances.		Gerard McCormack	In Progress	We are making efforts to confirm whether or not these historical balances are valid, and to take appropriate action to clear these balances.

REPORT

Date : 28 August 2019

To : Audit & Risk Committee Meeting, 9 September 2019

From : Chief Financial Officer, Billy Kingi

Subject : **ADOPTION OF 2019 DRAFT ANNUAL REPORT FOR AUDIT**

File ID : A176318

EXECUTIVE SUMMARY

Every year Council must prepare an audited annual report document. This report seeks the approval of the committee to start that process by adopting a draft document to be given to Audit New Zealand to begin their audit.

A copy of the Draft Annual Report will be circulated prior to the meeting.

PURPOSE

To get approval from the Committee to adopt the 2019 Draft Annual Report for audit purposes.

BACKGROUND

Every year Council must prepare an Annual Report. This must be audited and adopted within four months of balance date, 31 October, each year. We have auditors assigned to us by the Office of the Auditor-General, and it is their role to ensure that the Annual Report is materially correct through their audit work.

As such Audit New Zealand undertakes an interim and final audit of the Annual Report. The interim audit is designed to test the controls and financial environment that the Annual Report will be prepared in. This happens before the end of the financial year, and before an Annual Report document is prepared.

The final audit is when auditors are on site to review the document and test the information contained within it. At this point the Annual Report is not complete, but is a first draft of the results for the year.

Over the period of the final audit, Council staff and auditors will continue to revise the information contained within the document to come to a joint view that it presents the most appropriate information for the public on the financial performance and position of the Council for the financial year.

DISCUSSION AND OPTIONS SECTIONS

It is good practice that the committee review the Draft Annual Report before Council provides it to Audit NZ to begin their final audit. This creates a line in the sand that Audit NZ and Council staff can always refer back to as they progress through the final audit to adoption.

It is also useful as the committee may pick up some items of correctness that may have been missed through the preparation of the document given the constraints around time.

The committee has the option not to adopt the Draft Annual Report for audit. This may add delays to the timeframe for preparation of the final Annual Report. The Local Government Act 2002 requires local authorities to adopt an annual report within four months after the end of the financial year, and the Office of the Auditor General (OAG) reports its findings on the results of its local government audits, including whether statutory obligations (including timeframes) were met, to Parliament.

If the committee does adopt the Draft Annual Report for audit then this will form the basis of the Draft annual report document to be provided to Audit NZ, from which to reference back to.

Council staff will maintain a table of amendments between the draft and final Annual Report which Audit New Zealand will want to refer to when signing off on the final document.

SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council's Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for Adoption of 2018 Draft Annual Report is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

Assessment of engagement requirements

As the level of significance for Adoption of 2018 Draft Annual Report is considered to be of low significance the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



Authority

The Committee has authority to adopt the Draft Annual Report for audit purposes – this is an internal process.

RECOMMENDATIONS:

- 1. That the report titled "Adoption of the 2019 Draft Annual Report for Audit" be received.
- 2. That the Audit and Risk Committee adopts the 2019 Draft Annual Report for audit.

Billy Kingi

CHIEF FINANCIAL OFFICER

REPORT

Date : 3 September 2019

To : Audit and Risk Committee 9 September 2019

From : Planning and Regulatory Group Manager, Gerard McCormack

Subject : **BUILDING CONTROL AUTHORITY ACCREDITATION UPDATE**

File ID : A176831

EXECUTIVE SUMMARY

This report seeks to provide an update on the Building Control Department maintaining accreditation following audits in August 2018 and May 2019 by the International Accreditation New Zealand (IANZ).

PURPOSE

To provide the Audit and Risk Committee with an update in relation to the Council retaining status as an accredited building control authority.

BACKGROUND

IANZ undertook a bi-annual audit in August 2018 to determine compliance with the requirements of the Building (Accreditation of Building Consent Authorities) Regulations 2006 (the Regulations). The audit found 31 General Non-Compliances and three Serious Non-Compliances against the regulations and MIBE Building Control Authority Accreditation Scheme guidance documents (as relevant). These were all addressed before Christmas and a letter subsequently received confirming the Council's continued accreditation subject to a follow up audit being undertaken in April/May 2019.

The audit undertaken in April/May 2019 found 12 General Non-Compliances and no serious non-compliances. Ten of the General Non-Compliances have been addressed and cleared. An extension of time has been granted to enable a response and clearance of the two outstanding GNC's before the 13 September 2019. IANZ provided the following comment in their letter reporting on the audit; "The BCA

[Building Control Authority] was grappling enthusiastically with all requirements to maintain accreditation, with many quality systems now functioning well”.

Once the two final GNC's have been cleared IANZ have indicated that they will be undertaking a further desktop review in February/March 2020, as a condition of accreditation being maintained.

To date Council have been invoiced \$58,774.09 (inc GST) with \$26,108.93 (44%) attributed to expenses associated with the visits such as flights, car rental, accommodation and meals for the work undertaken by IANZ. This cost represents 31% of the total income received from fees associated with building consents during this financial year. It is anticipated that there will be a further \$25,000 plus to be invoiced in relation to the April/May audit costs.

This year officers from MBIE have also undertaken audits/visits in relation to earthquake-prone buildings, swimming pools and building warrants for fitness (BWOF's) compliance. Although there is no charge to the Council for these visits from MBIE staff, they do have a significant impact on resources in terms of staff time. The level of auditing we have experienced this year is much greater than that experienced in the past. It has resulted in officers having to spend time away from processing consents and undertaking visits, instead being required to prepare, partake or respond to questions in relation to these audits/visits. This has impacted our ability to operate the building control function as effectively and efficiently as we would have liked this year and put a lot of pressure on our small team.

DISCUSSION

A significant amount of staff time has been spent addressing the non-compliances identified by IANZ, as well as upgrading the software used for processing consents and training officers.

Following on from the IANZ audit in August 2018 it was decided that our small team did not have sufficient capacity to process consents received due to the additional time having to be spent assessing technical demands and reviews of applications required by MBIE to retain accreditation. As a result the decision was taken to appoint an additional part time senior Building Consents Officer to process building consent applications.

The building consents team currently has one full time administrator, one full time and one part time senior Building Control Officer and one full time Building Control Officer. Western Bay of Plenty District Council (WBOP) have agreed to process consents on our behalf where required and are also providing officers to assist with site inspections. We are working closely with WBOP to improve our resilience and

ability to respond to spikes in application numbers. This relationship is also assisting us to fill the gaps in technical knowledge that arise in a small team. We will continue to monitor application numbers closely and if the trend continues to rise then consideration will be given to recruiting additional members of staff.

In order to retain accreditation it has been made clear by IANZ and subsequently MBIE that we have to simply confirm compliance with the regulations and no longer provide advice to service users on site. In addition we can no longer operate in a flexible manner with the way we process building consents and amendment applications. This is something that has been difficult for some of our service users to deal with and we have received some negative feedback as a result. However, we are seeking to continue to educate customers to improve the quality of applications submitted and help them understand what the role of a Building Control Officer is.

SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council’s Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of significance for Building Control Authority Accreditation Update is considered to be low as determined by the criteria set out in section 17 of the Significance and Engagement Policy.

Assessment of engagement requirements

As the level of significance for Building Control Authority Accreditation Update is considered to be low, the engagement required is determined to be at the level of inform according to schedule 2 of the Significance and Engagement Policy.



RECOMMENDATIONS

- 1. That the report titled "Building Control Authority Accreditation Update" be received.**

Gerard McCormack

PLANNING AND REGULATORY GROUP MANAGER

REPORT

Date : 3 September 2019

To : Audit and Risk Committee Meeting, 9 September 2019

From : Corporate Planner and Executive Officer, Sarah Jones

Subject : **SUBMISSION ON THE PRODUCTIVITY COMMISSION'S DRAFT REPORT ON THE INQUIRY ON LOCAL GOVERNMENT FUNDING AND FINANCING**

File ID : A176816

EXECUTIVE SUMMARY

This report seeks comment and approval from the Audit and Risk Committee on a draft submission prepared in response to the Productivity Commission's Draft Report on the Inquiry on Local Government Funding and Financing.

PURPOSE

A draft submission has been prepared in relation to the Productivity Commission's Draft Report on the Inquiry on Local Government Funding and Financing. This report seeks comments from to the Audit and Risk Committee on that draft and approval of the draft for submission.

BACKGROUND AND DISCUSSION

In July 2018 the Government instructed the Productivity Commission to undertake an inquiry into local government funding and financing. The Government asked to Commission to look into the factors driving local authorities' costs, now and into the foreseeable future. It also asked the Commission to comment on whether current funding and financing arrangements are efficient, sustainable and affordable, and if they are not, what new arrangements would better achieve these ends.

The Commission released an Issues Paper containing a number of questions in November 2018 asking for submissions. In in January 2019, Opotiki District Council made a detailed submission in response to that Issues Paper.

On the 4th July the Commission released a Draft Report on their findings. In summary, the Commission's Draft Report concludes the following:

"That the current funding and financing framework measures up well against the principles of a good system. The current system, based on rating properties, is simple and economically efficient, compared to alternatives. The Commission recommends that the current system should therefore remain as the foundation of a fit-for-purpose future funding and financing system for local government. However, councils need new tools to help them deal with some specific cost pressures. New funding tools are required in four areas:

- Supplying enough infrastructure to support rapid urban growth;
- Adapting to climate change;
- Coping with the growth of tourism; and
- The accumulation of responsibilities placed on local government by central government.

We also found that there is significant scope for councils to make better use of existing funding, and improve their organisational performance, productivity and decision making".

A useful single page infographic summarising the conclusions set out in the Commission's (300 page) Draft Report is attached as Appendix A.

The Commission are now seeking feedback on the ideas and recommendations in this report to inform their final report to the Government. The deadline for submission on the Draft Report was 28 August 2019. The Commission have agreed to an extension to that deadline in order to allow this report and the associated draft submission to be considered and approved by the Committee.

A draft submission is attached to this report that provides further comment on issues identified within the Draft Report that are considered of particular relevance to Ōpōtiki District Council.

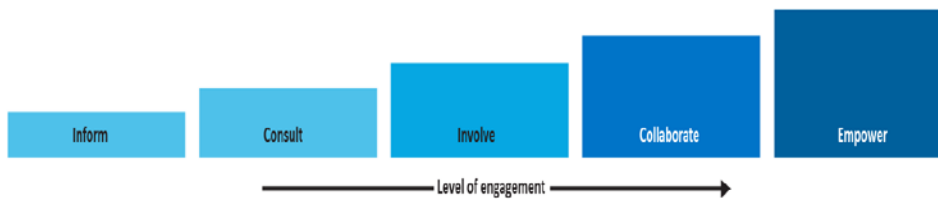
SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council's Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for the Submission on the Productivity Commission's Draft Report on the Inquiry on Local Government Funding and Financing is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

Assessment of engagement requirements

As the level of significance for the Submission on the Productivity Commission's Draft Report on the Inquiry into Local Government Funding and Financing is considered to be of low significance the level of engagement required is determined to be at the level of 'inform' according to Schedule 2 of the Significance and Engagement Policy.



RECOMMENDATIONS:

- 1. That the report titled "Submission on the Productivity Commission's Draft Report on Local Government Funding and Financing" be received.**
- 2. That the draft submission be approved for submission subject to any changes suggested and agreed by the Committee.**

Sarah Jones

CORPORATE PLANNER AND EXECUTIVE OFFICER

Local government funding & financing at a glance

Terms of Reference

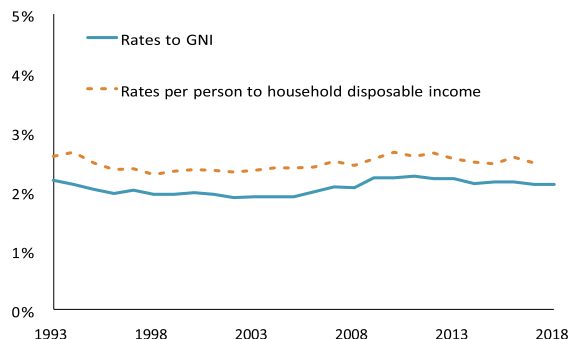
- Understand the drivers of local government costs, now and into the foreseeable future
- Assess the adequacy, efficiency, sustainability, equity and affordability of the existing local government funding and financing framework
- Advise whether new or improved approaches are required

The inquiry evidence base:

- 136 submissions
- 70+ engagement meetings
- Four in -depth case studies
- Expert advice and input



Rates have grown in line with population and incomes



Local government spending growth has been focused on essential infrastructure

- Roading and 3 waters accounted for 56% of capex over the last decade
- Capex has had flow -on effects to opex (depreciation and interest)
- The prices faced by local government grew faster than those for general consumers
- Real local government expenditure growth per person has been modest (1.2% a year)
- Debt has risen significantly, but for most councils and the sector as a whole, is not a concern

The current funding and financing framework is broadly sound

- Radical reform is not required; and there is no clearly superior alternative to a property -tax -based system
- However, there is significant scope for councils to make better use of the current funding tools, and improve their performance, productivity and decision making

The best way of using the current funding tools

- The “benefit principle” should be the primary basis for deciding who should pay for local government services
- Councils should consider “ability -to-pay” in a second step, taking into account central government’s primary role in income distribution
- Local services should be funded by local ratepayers. Where local services also benefit national interests, central government should contribute funding
- User charges or targeted rates should be used wherever possible and efficient

Better use of existing tools

- General rates
- Targeted rates (incl. uniform charges)
- Fees and user charges
- Development contributions
- Central government funding
- Debt

Funding pressures

- 1 Meeting the demand for infrastructure in high - growth areas
 - 2 Tourism hotspots
 - 3 Unfunded mandates
 - 4 Climate change adaptation
- Case study: 3 waters performance

Funding gaps



Reforms and new tools

- Special Purpose Vehicles
- Volumetric charging for wastewater
- Road congestion pricing
- Value capture
- Payment based on new building work
- Accommodation levy
- Portion of the international visitor levy
- “Partners in Regulation” protocol
- Extended NZTA model
- Local Government Resilience Fund and Agency
- Nationally -led science and legal framework
- New regulatory regime and regulator

Equity and affordability

- There is little or no evidence that rates have become less affordable over time, even for lower -income households
- Rates Rebate Scheme is inefficient and inequitable – replace it with a national rates postponement scheme
- Statutory 2 -step process for rate - setting (based on the benefit principle and ability to pay)
- Remove differentials, uniform annual general charges and 30% cap on uniform charges

Improved decision making and performance

- Capability building
- Mandatory, independently -chaired assurance committees
- Streamlined Long -Term Plans
- Fundamental review of performance reporting regime
- Encourage uptake of existing performance improvement and benchmarking programmes





Our Ref:

28 August 2019

New Zealand Productivity Commission
PO Box 8036
The Terrace
Wellington 6143

To Whom it May Concern

**SUBMISSION ON THE DRAFT REPORT INTO THE INQUIRY ON LOCAL GOVERNMENT
FUNDING AND FINANCING**

Opotiki District Council welcomes the Productivity Commission's draft report and are pleased that it traverses the issues we are facing in a comprehensive way. We are pleased to see that our initial submission has informed the report and are grateful for this opportunity to provide further input into the process. Having reviewed the Commission's draft report, we provide some commentary below in respect of a few issues which we believe warrant further consideration.

We note the Commission's finding that there is no evidence to show that rates are unaffordable at an aggregate level (F3.1). With respect, this is not what we are hearing from our community. It is noted that the Commission relies on the result of a report prepared by the Ministry of Social Development which examines the results of the 2015-16 Household Economic Survey. The raw data upon which the report is based is not broken down geographically beyond five large geographical areas (Auckland, Wellington, Canterbury, rest of the north Island and rest of the South Island). For us, that means our household income information is combined and aggregated with the household income data for the likes of larger and more populated centres, including Tauranga. We question whether it is appropriate to aggregate findings when affordability is often exaggerated at its extremes. We are concerned that aggregating this information may disguise or obscure real affordability issues in the most deprived parts of our country. In our district, we know that household income is significantly below the national average. We also know that job opportunities have decreased over time with the departure of major sectors (including dairy). As was explained in our submission, we are required to deliver a certain level of service to our ratepayers, and that level of service is increasing (as has been appropriately recognised in the findings in Section 4 of the Commission's draft report). Whilst we have endeavoured to keep our rates as low as possible, we remain unconvinced that rates increases have matched household income in our district.

As far as we can tell, the most recent publically available information that exists at the geographical scale required in order to examine this issue (average income) in any appropriate level of detail is the 2013 census. It is noted that the results of the 2018 census will be available shortly which will provide a more recent picture on levels of income across the country. However, it is important to note here that over reliance on census data could potentially hide the real truth of the matter. We know that in our district, responses to census are traditionally low. At the 2013 census, 54% of the resident

population of Ōpōtiki identified as Māori. However, the 2013 census, also recorded the Māori net undercount at 6.1% compared with just 1.9% for Europeans (Statistics New Zealand, 2014b), and the 2013 PES report suggests that the Māori net undercount was probably underestimated. In the 2013 Census, Māori internet access at home was 67%, compared with 85% for 'European/Others' (Ministry of Social Development, 2016). The recently released independent review of the 2018 Census has been critical of the response rate, particularly in relation to Māori. From this, it can be reasonably deduced that the Māori census response rate will be well below 90%¹. This will have a pronounced impact on the robustness of information available on incomes within our district.

For the reasons set out above, we request that the Commission provide a more thorough analysis of this issue before publishing this finding, or amend the finding to recognise that the data is not conclusive in this regard.

In addition, given our ratepayers are subject to both our rates and the rates of the Regional Council (Bay of Plenty Regional Council), it would be useful to have Regional Council rate increases documented in Figure 3.2. It is unclear how this combination of rates payments is taken into account by the Commission.

In the Commission's view, the benefit principle should play the primary role in determining who should pay for most Council-supplied goods and services. This follows from the assumption that redistribution is the primary responsibility of central Government. In our view, the Commission's position works in theory, but not in practice. At present, redistribution of wealth by central Government is not effective. Despite years of investment by many services and agencies and significant effort by the local community, Ōpōtiki continues to feature at the wrong end of all social statistics. We do not feel that the level of deprivation in our district is truly understood or acknowledged by central Government. We feel there is a failure to fully understand the extent of the issues (not helped by the 2018 Census), combined with a lack of commitment at a national level to truly addressing these issues (our initial submission provides an example of this in respect of the redistribution of profit from gambling). Given the continued inequities and affordability issues in our district are not being sufficiently addressed at a central Government level, we are forced to take ability to pay into account in determining our rates. The Commission's reliance on a system that is clearly not functioning is unsupported.

In addition to the issues at a central Government level, we are also being increasingly forced to take into account our community's ability to pay Regional Council rates when making decisions about our own rate setting, given the Regional Council's strict application of the "benefit principle" (also known as "user pays"). For example, we know that ratepayers within the Ōpōtiki Township pay disproportionately high targeted rates to the Regional Council, and that the Regional Council give little consideration to ability to pay. These targeted rates (associated with the delivery of a 'river scheme') represent a significant component of the overall rates bill of affected properties. Within the scheme area, 20-40% of the total rates are Regional Council rates, compared with around 4-7 % over the rest of the district.

The benefit principle also fails to operate effectively when the "service" being supplied by the Council is not a choice, and residents have no options around levels of service. It should not be assumed that all communities benefit from the same level of options. The aforementioned targeted rate imposed by the Regional Council provides a good example of this, and further detail is provided in our most recent submission to the Regional Council on this issue. It is also worthy of note that our district's ability to affect decisions made in respect of this issue is limited when there are only approximately 4,000 ratepayers affected, within an overall Regional Council population of 267,741.

¹ https://population.org.nz/app/uploads/2019/02/NZPR-Vol-44_Kukutai-and-Cormack.pdf

For that reason, we fully support recommendation R7.2 to amend legislation to require local authorities to set out the reasons for their rating decisions (in particular consideration of the 'ability to pay step') in a clear and transparent manner.

We hope that these comments are considered as the Productivity Commissions Draft report is finalised.

Yours sincerely

John Forbes
MAYOR

REPORT

Date : 28 August 2019
To : Audit and Risk Committee Meeting, 9 September 2019
From : Chief Financial Officer, Billy Kingi
Subject : **KOHA REPORT**
File ID : A176314

EXECUTIVE SUMMARY

The purpose of this report is to provide details of koha payments made from 3 May 2018 to 28 August 2019.

PURPOSE

The purpose of this report is to provide details of koha payments made from 3 May 2019 to 28 August 2019.

BACKGROUND

Audit New Zealand considers koha to be sensitive expenditure. To ensure transparency of the size of koha and the occasions for giving koha, the Audit and Risk Committee receives regular reports on koha payments made, disclosing the following information:

- The amount of koha
- The purpose of the payment
- The reason or justification for the amount.

Koha payments made for the period 3 May 2019 to 28 August 2019:

Date	Amount	Details	Number of Attendees
24 April	\$100	Waiaua Marae - koha for ANZAC dawn service	Approx 350-400
30 July 2019	\$100	Omaramutu Marae - koha towards powhiri for launch of Moana Project	Approx 30
05 August 2019	\$150	Whakatohea Maori Trust Board – training workshop attended by Mayor and staff (lunch provided)	Approx 25

SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council’s Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for receiving the Koha Report is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

Assessment of engagement requirements

As the level of significance for receiving the Koha Report is considered to be of low the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



RECOMMENDATION:

- 1. That the report titled "Koha Report" be received.**

Billy Kingi

CHIEF FINANCIAL OFFICER

REPORT

Date : 28 August 2019

To : Audit and Risk Committee Meeting, 9 September 2019

From : Chief Executive Officer, Aileen Lawrie

Subject : **RESOLUTION TO EXCLUDE THE PUBLIC**

SECTION 48 LOCAL GOVERNMENT OFFICIAL INFORMATION & MEETINGS ACT 1987

THAT the public be excluded from the following parts of the proceedings of this meeting, namely:

- 8. Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 13 May 2019.**
- 9. RRC Security and Safety Treatments.**
- 10. Health, Safety, Staff Resources and Wellbeing Report.**

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
8.	Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 13 May 2019	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
9.	RRC Security and Safety Treatments	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)

10.	Health, Safety, Staff Resources and Wellbeing Report.	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
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This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

8.	Protect information Protect the privacy of natural persons Protection from improper pressure or harassment Carry out negotiations Prevent the disclosure of official information Carry out commercial activities	Section 7(2)(b)(i) & (ii), (d) & (e) Section 7(2)(a) Section 7(2)(f)(ii) Section 7(2)(i) Section 7(2)(j) Section 7(2)(h)
9.	Protect the privacy of natural persons Protect information Prevent the disclosure of official information	Section 7(2)(a) Section 7(2)(b)(i) Section 7(2)(j)
10.	Protect the privacy of natural persons Protection from improper pressure or harassment	Section 7(2)(a) Section 7(2)(f)(ii)